

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2002-31-C - ORDER NO. 2003-476

SEPTEMBER 25, 2003

IN RE: Application of Dancris Telecom, LLC for a)	ORDER GRANTING
Certificate of Public Convenience and)	CERTIFICATE AND
Necessity to Provide Resold and Operator)	ALTERNATIVE
Assisted Interexchange Telecommunications)	REGULATION
Services and for Alternative Regulation.)	

This matter comes before the Public Service Commission of South Carolina (the "Commission") by way of the Application of Dancris Telecom, LLC ("Dancris" or the "Company") requesting a Certificate of Public Convenience and Necessity authorizing it to provide resold and operator assisted interexchange telecommunications services within the State of South Carolina. The Company requests that the Commission regulate Dancris' long distance business services, consumer card services, operator services and private line service offerings in accordance with the principles and procedures established for relaxed regulation in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C, as modified by Order No. 2001-997 in Docket No. 2000-407-C (now known as "modified alternative regulation"). The Application was filed pursuant to S.C. Code Ann. §58-9-280 (Supp. 2002) and the Regulations of the Public Service Commission of South Carolina.

The Commission's Executive Director instructed Dancris to publish, one time, a prepared Notice of Filing in newspapers of general circulation in the affected areas. The purpose of the Notice of Filing was to inform interested parties of Dancris' Application

and of the manner and time in which to file the appropriate pleadings for participation in the proceedings. Dancris complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. No Petitions to Intervene or protests regarding the Application were received by the Commission.

A hearing was convened on July 9, 2003, at 11:30 a.m. in the Commission's Hearing Room at 101 Executive Center Drive, Columbia, South Carolina. The Honorable Mignon Clyburn, Chairman, presided. Dancris was represented by Bonnie D. Shealy, Esquire. Jeffrey M. Nelson, Staff Counsel, represented the Commission Staff.

Mr. Peter Stazzone, Chief Financial Officer of Dancris, appeared and testified in support of the Application. The record reveals that Mr. Stazzone described the nature of Dancris' proposed service offerings within the State of South Carolina. Additionally, Mr. Stazzone demonstrated the Company's financial, managerial, and technical ability to provide telecommunications services in South Carolina.

Dancris is a privately held Limited Liability Corporation organized and licensed in the State of Arizona and has been authorized to transact business within the State of South Carolina. The Company seeks authority to operate as a reseller of intrastate interexchange telecommunications services to the public on a statewide basis and to offer a full range of "1+" interexchange telecommunications services on a resale basis. Specifically, the Company seeks authority to provide MTS, out-WATS, in-WATS, and post-paid calling card services. Dancris will offer service to its subscribers using facilities of the communications networks of Dancris, other facilities-based IXC's, and the local exchange telephone companies.

The Company is authorized to provide telecommunications services in sixteen states including Arizona, Texas, California, New York, and Florida. Dancris will file a tariff that comports with all orders, rules, and regulations of the Commission, according to the testimony. Furthermore, the Company will charge the tariffed rates as approved by the Commission. Dancris will market services through its agents. Mr. Stazzone testified that the Company does not intend to utilize telemarketing in South Carolina.

Regarding the Company's managerial resources, Mr. Stazzone testified that Dancris' personnel represent a broad spectrum of business and technical disciplines, possessing many years of individual and aggregate telecommunications experience. The CEO of the Company is Mickey Rao. Mr. Rao has over 15 years experience in business management. Mr. Stazzone holds a MBA from DePaul University and a BS in Accounting from the University of Illinois. He has over 20 years experience in finance, operations, and accounting.

In support of Dancris' financial ability to provide the telecommunications services the Company seeks to provide in South Carolina, Dancris filed a balance sheet with the Commission as Exhibit D to the Application, and Mr. Stazzone attached a copy of the Company's most current financial statements to his prefled written testimony. As of September 30, 2002, the Company's total current assets were \$13,788,278.00. The Company's total current liabilities and equity as of September 30, 2002, totaled \$13,788,278.00. For the period ending September 30, 2002, the Company reported positive earnings of \$1,898,825.62.

Dancris indicates a desire to have its long distance business services, including consumer card services, operator services, and private line services offerings regulated by modified alternative regulation. Dancris requested that all of its long distance business service offerings be regulated pursuant to the procedures described and set out in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. It is Dancris' intent by this request to have its long distance business services regulated in the same manner as this Commission has permitted for AT&T Communications of the Southern States. Alternative regulation has now been modified by this Commission through the re-imposition of rate caps with regard to certain "operator assisted calls" where a customer uses a local exchange carrier's calling card to complete calls from locations which have not selected that local exchange carrier as the toll provider. Order No. 2001-997, dated November 8, 2001, imposed a maximum cap of \$1.75 for operator surcharges for such calls, and a maximum cap of \$0.35 related to the flat per-minute rate associated with these calls.

Mr. Stazzone testified that Dancris operates a customer service department that can be reached conveniently by a toll free number (800) 326-2747, twenty-four hours a day, seven days a week. According to the Application and Mr. Stazzone's testimony, Dancris seeks a waiver from certain Commission Rules and Regulations. Dancris requests a waiver of 26 S.C. Code Regs.103-610 (1976) so that it may maintain its books and records at a location outside the State of South Carolina. Specifically, Dancris seeks to maintain its books and records at its headquarters office in Arizona. Dancris also requests that it be allowed to keep its books and financial records according to the

Generally Accepted Accounting Principles (GAAP) rather than according to the Uniform System of Accounts (USOA).

According to Mr. Stazzone, Dancris has never had authority denied in any state in which it has applied for authority nor has Dancris had authority revoked in any state where it has been granted authority. Additionally, Dancris has never been the subject of an investigation nor been fined or sanctioned by a state or federal regulatory body. Finally, Mr. Stazzone testified that Dancris will serve the public interest by creating greater competition in the interexchange marketplace, providing consumers with a greater choice of billing options and long distance services for intrastate calls, and expanding the tax base and revenue sources for the State.

On behalf of Dancris, Mr. Stazzone agreed to amend the Company's proposed tariff in accordance with two recommendations of the Commission Staff. First, the Company agrees to delete the reference to "gross receipts" contained in Section 2.10.1 on page 19 of the proposed tariff. Second, the Company agrees to revise Section 5.1 on page 52 of the proposed tariff to indicate that 14 days notice will be provided to the Commission prior to any promotional offerings.

After full consideration of the applicable law, Dancris' Application, and the evidence presented at the hearing, the Commission hereby issues its Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. Dancris is a privately-held corporation duly organized and existing under the laws of the State of Arizona and has been authorized to do business in the State of South Carolina by the Secretary of State.

2. Dancris is a provider of interexchange telecommunications services and wishes to provide its services in South Carolina.

3. Dancris has the managerial, technical, and financial resources to provide the services as described in its Application.

4. The Commission finds that Dancris should be granted a waiver of 26 S.C. Code Regs.103-610 requiring that reports and records be maintained within the State of South Carolina.

5. The Commission finds it appropriate for Dancris to maintain its books and records using Generally Accepted Accounting Principles (GAAP) rather than the Uniform System of Accounts (USOA) as developed by NARUC.

CONCLUSIONS OF LAW

1. The Commission concludes that a Certificate of Public Convenience and Necessity should be, and hereby is, granted to Dancris to provide intrastate interLATA service and to originate and terminate toll traffic within the same LATA, as set forth herein, through its own facilities and through the resale of intrastate Wide Area Telecommunications Services (WATS), Message Telecommunications Service (MTS), directory assistance, travel card service or any other services authorized for resale by tariffs of carriers approved by the Commission.

2. The Commission adopts a rate design for the interexchange business services of Dancris consistent with the principles and procedures established for alternative regulation of long distance business service offerings set out in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C and modified by Order No. 2001-997. Following the modification of the alternative regulation by Commission Order No. 2001-997, this form of regulation is commonly referred to by the Commission, Staff, and others as “modified alternative regulation.”

Under the Commission approved modified alternative regulation, the business service offerings of Dancris, including consumer card services, operator services and private line services, are subject to a relaxed regulatory scheme identical to that granted to AT&T Communications in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. However, pursuant to Order No. 2001-997 issued in Docket No. 2000-407-C, this Commission has modified the previously approved alternative regulation by the re-imposition of rate caps with regard to certain “operator-assisted calls” where a customer uses a local exchange carrier’s calling card to complete calls from locations which have not selected that local exchange carrier as the toll provider. Order No. 2001-997, dated November 8, 2001, imposed a maximum cap of \$1.75 for operator surcharges for such calls, and a maximum cap of \$0.35 related to the flat per-minute rate associated with these calls. Under this relaxed regulatory scheme known as modified alternative regulation, tariff filings for business services shall be presumed valid upon filing. The Commission will have seven (7) days in which to institute an investigation of any tariff filing. If the Commission institutes an investigation of a particular tariff filing within the

seven days, the tariff filing will then be suspended until further Order of the Commission. Any relaxation in the future reporting requirements that may be adopted for AT&T shall apply to Dancris also.

3. With regard to any residential interexchange service offerings of Dancris, the Commission adopts a rate design that includes only maximum rate levels for each tariff charge. The Commission has previously adopted a rate structure incorporating maximum rate levels. In Re: Application of GTE Sprint Communications Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

4. With regard to residential interexchange service rates, Dancris shall not adjust its residential interexchange service rates below the approved maximum levels without notice to the Commission and to the public. Dancris shall file its proposed rate changes, publish notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the maximum cap in instances that do not affect the general body of subscribers or do not constitute a general rate reduction. In Re: Application of GTE Sprint Communications, etc., Order No. 93-638, issued in Docket No. 84-10-C (July 16, 1993). Any proposed increase in the maximum rate level for residential interexchange services reflected in the tariff which would be applicable to the general body of Dancris' subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provisions of S.C. Code Ann. §58-9-540 (Supp. 2002).

5. If it has not already done so by the date of issuance of this Order, Dancris shall file its revised interexchange tariffs and accompanying price lists within thirty (30) days of receipt of this Order. The revised tariffs shall be consistent with the findings of this Order, shall incorporate the changes suggested by the Staff and with which Dancris agreed, and shall be consistent with South Carolina law, including the Commission's Rules and Regulations.

6. Dancris proposes to provide operator services in aggregator locations, Dancris shall comply with the following conditions:

- (a) For intrastate 0+ operator assisted and calling card calls originating from pay telephones outside confinement facilities and at aggregator locations, Dancris may not impose operator service charges greater than the intrastate charges then currently approved for AT&T Communications. For the usage portion of the call, Dancris may not charge more than the intrastate rates charged by AT&T Communications. In addition, the rate caps imposed by Commission Order No. 2001-997, dated November 8, 2001, are applicable to these types of 0+ operator assisted and calling card calls where an end user uses a local exchange carrier's calling card to complete calls from locations which have not selected that local exchange carrier as the toll provider.
- (b) Dancris is allowed to incorporate in its tariff a surcharge (property imposed fee) on operator-assisted and calling card calls not to exceed \$1.00 for calls originating from payphone (excluding pay telephones associated with inmate calling service) and from aggregator locations, only if the property owner has

not added a surcharge already. That is, Dancris may not impose an additional surcharge to calls originating from pay telephones and from aggregator locations if a property owner has already imposed such a surcharge. If such a surcharge is applied by Dancris on behalf of the property owner, Dancris is directed to pay the surcharge in its entirety to the property owner. Further, if the surcharge is applied, the end user should be notified of the imposition of the surcharge. This notification should be included in the information pieces identifying Dancris as the operator service provider at that location.

(c) Dancris is required to provide information pieces to pay telephone service providers or property owners identifying Dancris as the provider of the operator service for authorized calls originating from the location. Dancris is required to brand all calls identifying itself as the carrier. The information pieces shall be consistent with the format approved by the Commission in Order No. 93-811, issued in Docket No. 92-557-C.

(d) Regarding the provision of operator services, Dancris shall comply with the Operator Service Provider Guidelines approved in Order No. 93-534, issued in Docket No. 93-026-C.

7. With regard to Dancris' interexchange services, an end-user should be able to access another interexchange carrier or operator service provider if the end-user so desires.

8. Dancris shall resell the services of only those interexchange carriers or LECs authorized by this Commission to provide telecommunications services within the

State of South Carolina. If Dancris changes underlying carriers, it shall notify the Commission in writing.

9. With regard to the origination and termination of toll calls within the same LATA, Dancris shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993), with the exception of the 10-XXX intraLATA dialing requirement, which has been rendered obsolete by the toll dialing parity rules established by the FCC pursuant to the Telecommunications Act of 1996 (See, 47 CFR 51.209). Specifically, Dancris shall comply with the imputation standard as adopted by Order No. 93-462 and more fully described in paragraph 4 of the Stipulation and Appendix B approved by Order No. 93-462.

10. Dancris shall file annual information in the form of annual reports and gross receipts reports as required by the Commission. Both the annual report and the gross receipts report will necessitate the filing of intrastate information. Therefore, Dancris shall keep financial records on an intrastate basis for South Carolina in order to comply with the Commission's requirements of filing an annual report and a gross receipts report. The proper form for filing annual financial information for the annual report may be found on the Commission's website at www.psc.state.sc.us/forms. The title of this form is "Annual Information on South Carolina Operations for Interexchange Companies and AOS," and the proper form may be found under one of the links entitled "Annual Report." The Company shall file the annual report form with the Commission by April 1st of each year. Commission gross receipts forms are due to be filed with the

Commission no later than August 31st of each year. The appropriate form for remitting information for gross receipts is entitled "Gross Receipts Form for Utility Companies" and may be found on the Commission's website at www.psc.state.sc.us/forms.

11. Dancris shall, in compliance with Commission regulations, designate and maintain authorized utility representatives who are prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests and repairs. In addition, Dancris shall provide to the Commission in writing the names of the authorized representatives to be contacted in connection with general management duties as well as emergencies occurring during non-office hours.

Dancris shall file the names, addresses and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. The form Dancris is required to use by which to file the authorized utility representative information may be found at the Commission's website at www.psc.state.sc.us/forms/default.htm. This form is entitled "Authorized Utility Representative Information." Further, if any representatives are replaced, Dancris shall promptly notify the Commission in writing.

Dancris shall also file with the Commission a copy of its general Bill Form as required by S.C. Code Regs. 103-612.2 and 103-622 (1976 and Supp. 2002).

12. Dancris shall conduct its business in compliance with Commission decisions and Orders, both past and future.

13. With regard to Dancris' request for a waiver 26 S.C. Code Regs. 103-610 of the Commission's Rules and Regulations, Dancris is hereby granted a waiver of 26

S.C. Code Regs. 103-610. Further, Dancris may keep its books and records according to Generally Accepted Accounting Principles (GAAP) rather than according to the Uniform System of Accounts (USOA), as requested.

14. Each telecommunications company certified in South Carolina is required to file annually the Intrastate State Universal Service Fund (USF) worksheet. This worksheet provides the Commission Staff with information required to determine each telecommunications company's liability to the State USF fund. The Intrastate USF worksheet is due to be filed annually no later than August 15th.

15. As a condition of offering debit card services, the Commission requires the Company to post with the Commission a bond in the form of a Certificate of Deposit worth \$5,000 drawn in the name of the Public Service Commission of South Carolina or a surety bond in the amount of \$5,000 which is payable to the Commission. The Certificate of Deposit shall be drawn on federal or state chartered banks or savings and loan associations which maintain an office in this state and whose accounts are insured by either the FDIC or the Federal Savings and Loan Insurance Corporation. A surety bond shall be issued by a duly licensed bonding or insurance company authorized to do business in South Carolina. This condition may be reviewed in one year.

16. If the Company sells its debit cards to retail establishments for resale of the debit cards, and the retailer of the debit cards deviates from the suggested retail price as filed in the tariff, or as approved by the Commission in a special promotion, then the Company will withdraw its cards from that retail outlet. This Commission strongly suggests that the Company enter into written agreements with its South Carolina retail

outlets regarding this policy of abiding by suggested retail pricing prior to the outlet marketing the card.

17. Dancris shall comply with all Rules and Regulations of the Commission, unless the Commission specifically waives a regulation.

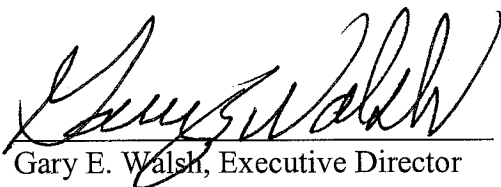
18. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Mignon L. Clyburn, Chairman

ATTEST:



Gary E. Walsh, Executive Director

(SEAL)